

Georgia Congressman urges the Agriculture Committee to help investigate skyrocketing natural gas prices; crack down on price gouging and market manipulation

Washington, DC - With natural gas prices reaching record highs across the country, Georgia Congressman John Barrow (12th District) today brought together a bipartisan group of Congressional leaders to call for new reforms that would enhance the Commodity Futures Trading Commission's (CFTC) ability to crack down on energy price gouging and market manipulation, and to help provide price relief for America's seniors, farmers, small business owners, and natural gas consumers.

In a letter to House Agriculture Committee Chairman Bob Goodlatte and Ranking Member Collin Peterson, Barrow and his colleagues urged the Committee to “take measures quickly to expand the Commodity Futures Trading Commission's investigative authority into substantial price fluctuations, expand transparency of the natural gas market through greater disclosure requirements, and increase the criminal and civil penalties for market manipulation.”

Barrow is a member of the House Agriculture Committee, which is expected to take up the issues of CFTC reauthorization later this year. He also serves as the Ranking Member of the Small Business Subcommittee on Rural Enterprises, Agriculture, and Technology, where he held a hearing in March about how natural gas prices are affecting America's family farmers.

At the invitation of Congressman Barrow, Screven County farmer Ben Boyd testified at that hearing, providing a firsthand account on how farmers use natural gas as one of the primary fuel sources for everything from heating and drying crops to making the fertilizer that feeds their harvest. Natural gas is the key component in the production of nitrogen based fertilizer. In the past few years, Boyd had seen the price he pays for nitrogen fertilizer nearly double - up from \$36 per acre in 2002 to \$64 per acre in 2004.

Following that hearing, Congressman Barrow and Republican Congressman Sam Graves of Missouri introduced bipartisan legislation to bring some stability, predictability, and reliability to the natural gas market. Despite record high gas inventories and near record gas production in recent years, prices continue to be extremely volatile and are prone to huge spikes as a result of increased speculative trading. The Graves-Barrow bill aims to restore common-sense trading limits found on virtually every other publicly traded commodity and increases trading transparency.

October 25, 2005

The Honorable Bob Goodlatte

Chairman

House Committee on Agriculture

1301 Longworth HOB

Washington, DC 20515

The Honorable Collin Peterson

Ranking Member

House Committee on Agriculture

1301 Longworth HOB

Washington, DC 20515

Hurricanes Katrina and Rita have negatively impacted millions of Americans. If Congress fails to address price volatility in the natural gas market, millions more Americans - consumers, seniors, farmers, and small business owners - will suffer as well. As Americans come together to help those in need, we must ensure that unwarranted volatility and price gouging in the natural gas market do not further injure consumers who are strapped to meet the current high prices of natural gas.

Even before Hurricane Rita made landfall, natural gas prices began spiking. Despite computer models and official forecasts indicating that Rita would miss the most prolific production facilities, some traders were taking advantage of the hype to push prices up. Within a matter of hours, natural gas prices skyrocketed. (*Dow Jones*, Futures Soar Above \$13 As Rita Strengthens, Sept. 21, 2005) These unpredictable swings hit hardest on those who can least afford it, such as farmers, seniors, and American businesses. The hurricane disasters that ravaged Louisiana and Southeast Texas underscore the critical nature of this problem, and we must address this issue prior to the unprecedented high natural gas prices expected this winter.

The Commodity Exchange Act specifically recognizes that excessive speculation in futures that causes unwarranted changes in the price of a commodity is a burden on interstate commerce. We must not let our constituents suffer due to unscrupulous speculators using these disasters as an excuse to drive up the price of natural gas.

Additionally, the U.S. economy is suffering because of the skyrocketing costs of natural gas. “Soaring natural gas prices threaten to propel winter heating bills sharply higher, slow economic growth and push manufacturers overseas,” as noted in the October 7, 2005 *Washing*

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article, Natural Gas's Danger Signs: Higher Costs Threaten Economic Growth, U.S. Manufacturing. Economists estimate that U.S. consumers could face a 71 percent increase in bills, and seniors and low-income families cannot afford such a spike in costs. Moreover, in an attempt to remain profitable, American businesses, which are being injured by prohibitively high energy costs, could limit expansion plans or even relocate their plants overseas.

Congress must act as soon as possible to implement the best short-term and long-term solution to rising natural gas prices, and provide needed protections to energy consumers. Please take measures quickly to expand the Commodities Futures Trading Commission's investigative authority into substantial price fluctuations, expand transparency of the natural gas market through greater disclosure requirements, and increase the criminal and civil penalties for market manipulation.

We appreciate your consideration of our request and hope that you will take immediate action to stabilize the natural gas market during these traumatic times.

The bipartisan letter, authored by Congressmen Barrow and Graves, was signed by 12 other members of Congress, which included six Republicans and six Democrats. Those signing the letter were: Rep. Michael McCaul (Texas), Rep. Ted Poe (Texas), Rep. John Doolittle (California), Rep. Melissa Hart (Pennsylvania), Rep. Tammy Baldwin (Wisconsin), Rep. Mike McIntyre (North Carolina), Rep. Brian Higgins (New York), Rep. Sherrod Brown (Ohio), Rep. John Spratt (South Carolina), Rep. Dave Camp (Michigan), Rep. Mark Green (Wisconsin), and Rep. Lincoln Davis (Tennessee).

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